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Report of the Task Force on National Accounts

Note by the Secretary-General

In accordance with a request of the Statistical Commission at its thirty-third session,** the Secretary-General has the honour to transmit the report of the Task Force on National Accounts (Convener: Intersecretariat Working Group on National Accounts (ISWGNA).

* E/CN.3/2003/1.

** See *Official Records of the Economic and Social Council, 2002, Supplement No. 4* (E/2002/24), chap. I.A.

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Report of the Task Force on National Accounts

Contents

		Paragraphs	Page
I.	Introduction	1–2	4
II.	Updating the 1993 SNA	3–40	4
	A. Official recommendation on the accrual accounting of interest	3	4
	B. Discussions and conclusions on other topics	4–13	5
	1. Treatment of repurchase agreement	4	5
	2. Treatment of interest under conditions of high inflation	5	5
	3. Pension funds	6	5
	4. Employee stock option plans	7	5
	5. Treatment of non-performing loans	8	5
	6. Insurance/reinsurance	9	5
	7. Financial services	10–11	5
	8. Software	12	6
	9. Treatment of taxes on capital gains	13	6
	C. Review of the current procedure for updating the 1993 SNA	14–29	6
	1. Introduction	14–17	6
	2. Existing incremental updating mechanism	18–28	7
	3. Results of incremental updating mechanism	29	9
	D. Recommendations of ISWGNA on strengthening the updating procedure	30–34	9
	1. Scope of the updating process	31	9
	2. Criteria for identifying issues for updating	32	10
	3. Managing the updating process	33	10
	4. Timetable for updating and implementation	34	10
	E. Other actions taken by ISWGNA to strengthen the updating procedure	35–40	10
	1. Advisory Group on National Accounts	35–38	10
	2. Terms of reference of the Canberra II Group	39–40	11
III.	Assessment of the implementation of the 1993 SNA	41–42	11
	A. Status of the conceptual compliance questionnaire	41	11
	B. Data-quality assessment in national accounts	42	11
IV.	Collection and dissemination of quarterly national accounts data	43	12
V.	Coordination of work programmes on the implementation of the 1993 SNA	44–46	12

A.	Research agenda, conceptual and methodological development	44–45	12
	1. Issues under research	44	12
	2. Revised handbook on environmental accounting	45	12
B.	Integrated presentation of ISWGNA work programmes	46	12
VI.	Points for discussion	47	12
Annexes			
I.	Electronic discussion groups on national accounts		13
II.	List of issues currently under review		16
III.	Manuals, handbooks and supporting materials for SNA implementation prepared by member organizations of ISWGNA		19

I. Introduction

1. At its thirty-third session, the Statistical Commission:

(a) Welcomed and endorsed the proposed creation of an advisory expert group to the Intersecretariat Working Group on National Accounts (ISWGNA) and recommended that (i) the proposed group especially anticipate and focus on new and emerging methodological issues; (ii) the composition of the proposed group might vary by subject in order to ensure the participation of the best national and international experts on each subject discussed; and (iii) clear tasks, working procedures and outputs should be established;

(b) Supported the proposal to reconvene the Canberra Group on Capital Stock Statistics to undertake research on intangible assets, and suggested that the Group be composed of experts with relevant expertise;

(c) Welcomed and endorsed the proposals for strengthening the work of electronic discussion groups;

(d) Recognized that the conceptual compliance questionnaire was suitable for assessing the status of conceptual implementation of the System of National Accounts (1993 SNA), and recommended that the questionnaire indicate the priorities of the various questions included;

(e) Recommended that the United Nations Statistics Division examine the possibility of collecting, in addition to annual data, data on quarterly national accounts. That data should be provided by countries and published by the Division through the Internet, while duplication of data collection should be avoided by taking into account work carried out by other international organizations;

(f) Welcomed the publication of the *Handbook on Non-Profit Institutions in the System of National Accounts* and endorsed the proposed plan for its implementation.

2. Section II below addresses the ISWGNA recommendation regarding the accrual accounting of interest, discussions and conclusions on other topics, the review of the current updating mechanism and the recommendations and actions taken for improving it. Section III provides information regarding the assessment of the implementation of the 1993 SNA. Section IV reviews the possibility of collecting data on quarterly national accounts as recommended by the Commission. Section V reviews the coordination of the work programme by ISWGNA member organizations for the implementation of 1993 SNA.

II. Updating the 1993 SNA

A. Official recommendation on the accrual accounting of interest

3. ISWGNA supports the interpretation of the Moderator of the electronic discussion group (EDG) on this subject that the SNA accrues interest on the basis of the debtor approach. ISWGNA did not expect benefit from further discussion, either in an expert group meeting — suggested by some — or in the context of the possible future review of the 1993 SNA referred to in section C below. The Director of the United Nations Statistics Division has sent the recommendation of ISWGNA to the

members of the Commission for review and approval as a point of interpretation of the 1993 SNA. The EDG on this topic has been closed.

B. Discussions and conclusions on other topics

1. Treatment of repurchase agreement

4. Experts in the Organisation for Economic Cooperation and Development (OECD), meeting on national accounts in October 2002, concluded there is an overwhelming agreement that a treatment of repurchase agreement ought to be treated as a collateral for a loan. The remaining issue for further research is the identification/calculation of fees involved in the transactions involving such agreements. The International Monetary Fund (IMF) will consider how the issue can be further resolved.

2. Treatment of interest under conditions of high inflation

5. The EDG on this topic did not arrive at a distinct conclusion. The issue will be put forward to the advisory expert group to ISWGNA.

3. Pension funds

6. At the request of ISWGNA, IMF will expand the scope of its EDG on unfunded government pension schemes to cover all pension funds, as well as relevant social security and social assistance schemes.

4. Employee stock option plans

7. Experts at the OECD meeting on national accounts held in October 2002 arrived at a consensus to include employee stock options in compensation of employees. Further consultations on harmonization with currently evolving international business accounting standards are required. OECD and the Statistical Office of the European Communities (Eurostat) will conduct an informal consultation. The deadline for formulating a proposal is May 2003. A proposal on the issue will be considered as an interpretation of the SNA. Eurostat will prepare a proposal for ISWGNA in due time to be submitted to the Commission for approval.

5. Treatment of non-performing loans

8. The EDG on this issue is managed by IMF; the deadline for the EDG is October 2003.

6. Insurance/reinsurance

9. The first report on this issue was discussed at the annual OECD meeting on national accounts in October 2002; the final report will be presented in the next OECD meeting on national accounts, to be held in October 2003.

7. Financial services

10. The first report on this issue was discussed at the annual OECD meeting on national accounts in October 2002; the final report will be presented at the next OECD meeting on national accounts in October 2003.

11. Eurostat announced that member countries of the European Union have adopted the allocation of FISIM to users for implementation in 2005.

8. Software

12. The final report of EDG on the treatment of software was discussed and approved by experts at the OECD meeting on national accounts held in October 2002. However, the treatment of software originals is expected to be pursued by the reconvened Canberra II Group. ISWGNA supports the recommendations of the final report on the measurement of software output and use are considered as practical implementation and do not need to be approved by the Commission. The EDG on software has been closed.

9. Treatment of taxes on capital gains

13. The seeming inconsistency in the SNA on the treatment of taxes on capital gains was raised by some member States in the OECD meeting on national accounts held in October 2002 and by the OECD in the October 2002 ISWGNA meeting. It was pointed out that capital gains/losses are not treated as income but that taxes on capital gains/losses are treated as part of the income accounts. OECD has asked ISWGNA to look into that issue.

C. Review of the current procedure for updating the 1993 SNA

1. Introduction

14. The 1993 SNA was 10 years in the making, after the Commission approved in 1983 the recommendation of an expert group meeting to review and revise the 1968 SNA. Even with such a long, arduous and costly effort, consensus on many issues in the 1993 SNA could only be achieved by compromise.

15. The 1993 SNA could only be released in a spirit of compromise because it was impossible to satisfy the definitions and treatments preferred by all countries on all subjects. Reservations were expressed in the Commission on several topics: the treatment of research and development expenditures as current and of mineral exploration as capital; the exclusion of rent on buildings owned and occupied by government and non-profit institutions serving households; the degree of detail with which the production accounts for households were presented, the need for the distinction between actual final consumption and final consumption; and the lack of identification of "consumer subsidies". Those issues are included in a research agenda for the future. In addition, there are other issues that were accepted as compromises, such as the treatment of consumer durables and part of military equipment and weapons as intermediate consumption, not gross capital formation.

16. Nevertheless, changes in the economic environments take place continuously and therefore necessitate a continuous updating of the 1993 SNA to ensure and maintain its relevance. ISWGNA has recommended an incremental updating mechanism, which was approved at the thirtieth session of the Commission.

17. Some national accountants and national statistical offices, however, feel dissatisfied with the current incremental updating mechanism because for them the perceived deficiencies in the 1993 SNA should be more adequately and comprehensively dealt with to ensure the integrity and consistency of the System as

a whole. At some international meetings, a number of issues were raised for updating that may require a more integrated review of some aspects of the 1993 SNA. In response to that criticism, ISWGNA has been requested to review the current updating procedure. At its meeting held in Paris on 14 and 15 October 2002, ISWGNA reviewed the existing incremental updating mechanism, the list of issues for updating raised by experts in different countries, the role of the Advisory Group to the ISWGNA, EDGs, city groups and task forces, the scope of updating, the role of consultation and coordination during the updating process and the issuing of the final output.

2. Existing incremental updating mechanism

18. At the thirtieth session of the Commission, ISWGNA was requested by the Commission to make concrete proposals for a process of updating the 1993 SNA, taking into account the need for a streamlined process and the need for adequate consultation. The updating mechanism recommended by ISWGNA was approved by the Commission at its thirtieth session.

19. The updating mechanism includes four types: editorial amendments, clarification beyond dispute, interpretation and change. The first two types need only a review by ISWGNA, but the third type requires a drafting of proposals assisted by a panel of experts, discussions by working parties or regional panels of experts and the final drafting to be reviewed and approved by the member countries of the Commission. A change would require an additional step of discussions by national statistical offices in all regions. Proposals for change should be considered with caution because many countries are still facing a challenge in implementing the present version of the SNA.

20. To review the issues which are candidates for updating, ISWGNA has relied on EDGs, international and regional meetings on national accounts, city groups and (still in the planning stage) the advisory expert group on national accounts. Besides already resolved issues (see para. 30), a number of other issues are under discussion and new issues are emerging. Still other issues may come up, most importantly in the context of the revision of the *Balance of Payments Manual*, fifth edition, which has now commenced. The list of existing and emerging issues currently under review is provided in annex II.

Electronic discussion groups

21. Since 1999, ISWGNA has set up a number of EDGs on topics that might lead to updates of the SNA. Technical papers on the topics in question are posted at an Internet site of the EDG, managed and maintained by an ISWGNA member organization. The appointed Convener or Moderator of the EDG reviews the contributions and determines whether there is possible consensus, the main conclusions or recommendations. Those findings are passed on to ISWGNA for review. The complete list of current and past EDGs created by ISWGNA member organizations is provided in annex I.

22. Broadening the consensus necessitates a global participation of experts in research and deliberations on a specific issue. Task force meetings are no doubt useful but they may foreclose the participation of those who cannot financially afford to attend. EDGs provide an important and least costly tool to generate and incorporate ideas from the international community of national accounts experts.

23. Practices have shown that participation in EDGs has been disappointingly low and feedback is limited, making it difficult for groups to reach a conclusion or to move work forward. To meet this challenge, ISWGNA has decided to strengthen the work of the groups in the following ways:

- EDG groups should be more or less a virtual task force, with a moderator and a specific membership list.
- They should have a defined task, with a specific product and output.
- They should have a definite time within which to complete their task, and the Moderator should be asked for the agreed outputs within a certain deadline.
- The Moderator should be someone who is knowledgeable about the subject under discussion, and should be neutral in areas of controversy.
- ISWGNA should establish the terms of reference for the Moderator, who would be willing to take on the task.
- A key task of the Moderator is to actively recruit participants.
- Papers and contributions to the discussions, with regular summaries provided by the Moderator, should be made available through EDGs and via e-mail.

Meetings of experts on special topics and task forces

24. The discussion on the treatment of mobile phone licences is an example for a special meeting organized to discuss a specific topic. A meeting of ISWGNA was held on 23 June 2000 in Washington, D.C., which arrived at the conclusion submitted to the Commission in 2001. Since the conclusion did not receive unanimous agreement of countries, another open meeting was convened on 5 April 2001 with a number of invited experts. The members of the Commission finally approved the resulting ISWGNA interpretation in January 2002, on the understanding that the issue can be taken up for review again by the Canberra Group on Intangible Assets, which has been renamed Canberra II Group on Non-Financial Assets.

25. In addition to special meetings organized by ISWGNA, other task force meetings on special topics are also held by ISWGNA member organizations; their recommendations will then be submitted to ISWGNA for review before submitting to the Commission.

City groups

26. The Commission also encourages the formation of city groups on special topics of common concern. Their conclusions are submitted to the Commission and before that to ISWGNA for review if the issue concerns national accounts. The Canberra Group on Capital Stock was an example of a city group.

Advisory group of experts on national accounts

27. To broaden its technical capability, ISWGNA, with the approval of the Commission, will establish an advisory group of experts on national accounts, with the primary task of advising ISWGNA on methodology issues and helping it to achieve resolution on a number of outstanding issues as well as future issues that

may arise. The advisory group should have a global representation on a broad array of national accounts topics.

28. It is expected that the advisory group of experts will re-examine, together with ISWGNA members, some of the old and new issues recently raised and summarized in annex II below. It is suggested that this list of issues be updated by national accounts experts. Some are aimed at clarification, interpretation or extension in the sense of creating a satellite account of the current SNA; others are more fundamental and if adopted would entail more drastic changes in the current SNA. Some are new issues and some are old issues that were debated at length without reaching a consensus during the preparation of the 1993 SNA.

3. Results of incremental updating mechanism

29. The following nine updates have been issued by ISWGNA since 1996:

- Other subsidies on production to non-market producers (Interpretation, *SNA News and Notes*, No. 3 (January 1996));
- Measurement of the output of central bank by costs (Interpretation, *SNA News and Notes*, No. 3 (January 1996));
- Treatment of seignorage profits on issue of coins (Interpretation, *SNA News and Notes*, No. 4 (July 1996));
- Revision of the functional classifications of expenditures: COFOG, COICOP, COPNI and COPP (Changes, *SNA News and Notes*, No. 5 (January 1997));
- Accruals versus cash estimates of taxes on products (Clarification, *SNA News and Notes*, No. 6 (July 1997));
- Intangible assets, patents and copyrights in the 1993 SNA (Clarification, *SNA News and Notes*, No. 6 (July 1997));
- Treatment of financial derivatives (Changes, *SNA News and Notes*, (May 2000));
- Treatment of costs incurred in transferring ownership of assets (No changes, *SNA News and Notes* (October 2001));
- Treatment of mobile phone licences (Interpretation, *SNA News and Notes* (April 2002)).

D. Recommendations of ISWGNA on strengthening the updating procedure

30. ISWGNA has reviewed the various options for updating the SNA and has prepared the following recommendations for the future updating of the SNA:

1. Scope of the updating process

31. **In the 10 years since its adoption, the 1993 SNA has shown a remarkable resilience in its usefulness in a changing environment. It has shown to be a robust framework that has gained broad appreciation. Therefore, there is currently no need for fundamental or comprehensive changes to the SNA. Such changes would also impede the process of its implementation, which in many**

countries has not yet been achieved. Therefore, ISWGNA recommends that the updating process focus on a number of specific issues. One important element should be its internal consistency and consistency with related handbooks, such as the *Balance of Payments Manual*.

2. Criteria for identifying issues for updating

32. **ISWGNA requests the Commission to confirm the following criteria for identifying issues to be candidates for updating:**

(a) Issues that are emerging in the new economic environment;

(b) Old issues that have been discussed and rejected before in the 1993 revision process but may need a further look in the new economic environment due either to their economic significance and/or to an advancement in methodological research that may justify a different treatment of the issues;

(c) Old issues that have been discussed and rejected before in the 1993 revision process should not be candidates for updating if no changes in the economic environment or progress in methodology research warrant their consideration for updating.

3. Managing the updating process

33. **The current updating mechanism managed by ISWGNA will continue, with the assistance of the Advisory Group on National Accounts to ISWGNA. The operation of EDGs, city groups and task forces allows for emerging issues to be identified and possible solutions provided. Emerging issues and possible solutions will be forwarded to ISWGNA. ISWGNA, with the help of the Advisory Group, will review issues and possible solutions. Issues and possible solutions that require an interpretation or a change in SNA will be circulated as widely as possible to international and regional meetings for discussions before being submitted to the members of the Commission for approval. A change would require also the circulation of recommendations to all national statistical offices.**

4. Timetable for updating and implementation

34. **By 2005, proposals concerning the issues listed in annex II and issues that subsequently emerge should be ready for consideration and forwarded to the Commission. All updated issues will be implemented as soon as they are approved by the Commission. All approved updates will be integrated into the revised 1993 SNA, which is targeted for publication in 2008.**

E. Other actions taken by ISWGNA to strengthen the updating procedure

1. Advisory Group on National Accounts

35. A list of members of the Advisory Group on National Accounts will be before the Commission as a background document. Invitation letters have been sent by the Director of the United Nations Statistics Division as Chair of ISWGNA.

36. Members of the Advisory Group will have a serving term of one year unless renewed.

37. The Advisory Group will meet at least once every two years. The Advisory Group will begin work at its first meeting, in 2003, to suggest and/or review a list of candidates for updating. ISWGNA will provide the Advisory Group with a list of possible issues that are candidates for updating and a summary of the issues involved.

2. Terms of reference of the Canberra II Group

38. The Canberra II Group will have the title Canberra II Group on Non-Financial Assets.

39. It has been recommended that the terms of reference of the Canberra II Group not include human capital. Consumer durables should be treated in satellite accounts. OECD has worked with Australia to revise the terms of reference of the Canberra II Group, which are before the Commission as a background document.

40. It is recommended that reports of the Canberra II Group concerning the updating of national accounts be submitted for review to ISWGNA.

III. Assessment of the implementation of the 1993 SNA

A. Status of the conceptual compliance questionnaire

41. The conceptual compliance questionnaire was sent to all countries, including member States of OECD, by the end of September 2002. From earlier experience, all responses are expected to come in by April/May 2003. The assessment report will be submitted to the Commission at its thirty-fifth session.

B. Data-quality assessment in national accounts

42. To assist in assessing the quality of macroeconomic statistics, IMF has developed a data-quality assessment framework for national accounts and other macroeconomic statistics, which are available through the IMF web site and can be used for self-assessment, peer assessment or assessment by international agencies. Since 2001, IMF has used the frameworks as part of the data modules of its reports on the observance of standard and codes (data ROSCs) of member countries, in order to complement the assessments of a country's dissemination practices, which are carried out against either the Special Data Dissemination Standard or General Data Dissemination System, depending on the country concerned. Thus far, they have been used as part of data ROSCs for about 30 countries, of which about 15 have been published on the IMF web site. IMF has a programme in place that aims to prepare data ROSCs for approximately 15 countries a year.

IV. Collection and dissemination of quarterly national accounts data

43. At its thirty-third session, the Commission recommended that the United Nations Statistics Division examine the possibility of collecting, in addition to annual data, data on quarterly national accounts. ISWGNA has been informed that IMF has regularly collected and published worldwide data on quarterly accounts. OECD has also regularly published quarterly the national accounts data of its member countries. ISWGNA recommends that the Division not replicate the collection of those data.

V. Coordination of work programmes on the implementation of the 1993 SNA

A. Research agenda, conceptual and methodological development

1. Issues under research

44. A preliminary list of existing and emerging issues under research as part of the SNA updating process is contained in annex II.

2. Revised handbook on environmental accounting

45. The draft of the revised handbook on environmental accounting (SEEA 2000) to replace the 1993 SEEA has been finalized by a friends of the Chair group. The final draft has been submitted for approval by the Commission and is to be co-published by OECD, IMF, Eurostat, the World Bank and the United Nations.

B. Integrated presentation of ISWGNA work programmes

46. Annex III contains an updated enumeration of manuals and other support materials. An updated list of meetings and research activities will be before the Commission as a background document.

VI. Points for discussion

47. The Commission may wish to express its views on the following points:

(a) The proposed criteria for identifying issues that are candidates for updating;

(b) The proposed updating mechanism in which ISWGNA will play a managing role, with the assistance of the Advisory Group on National Accounts, to ISWGNA;

(c) The proposed deadline by 2005 for resolving issues and the target of 2008 for the publication of the revised 1993 SNA;

(d) The proposed list of issues recommended for review in the updating process (see annex II).

Annex I

Electronic discussion groups on national accounts

1. The electronic discussion groups (EDGs) listed below have been created to solicit discussions on the topics that are important to national accounts and may require updates in the 1993 SNA. It should be noted that:

- Each topic of discussion is administered by one expert associated with an international organization or a national office.
- EDGs are all linked to the web site of the United Nations Division: at http://unstats.un.org/unsd/nationalaccount/edg.htm.
- Readers can, however, go directly to the individual EDG site shown below.

2. The EDGs managed by OECD are open to interested official statisticians. However, those sites can only be accessed by requesting a password from the Moderator.

Treatment of share (stock) options
http://www1.oecd.org/std/shares.htm

3. Employee stock options are an increasingly common tool used by companies to motivate their employees. Given that the 1993 SNA does not provide a guideline for this issue, the question raised is whether stock options should be considered as compensation of employees and therefore as a cost to employers. Experts at the OECD meeting on national accounts in October 2002 arrived at a consensus to include employee stock options in compensation of employees. Further harmonization with international business accounting standards is required.

Treatment of non-performing loans
http://www.imf.org/external/np/sta/npl/eng/discuss/index.htm

4. The treatment of non-performing loans is a topic on which the Thai authorities requested ISWGNA for clarification as to what extent unpaid interest (the financial intermediation services indirectly measured on such interest may affect gross domestic product (GDP)) should be accrued. The purpose of the EDG is to determine what criteria should be applied to the writing-off of non-performing loans and to make sure that they are consistent with the other major macroeconomic statistical systems (balance of payments, government finance, and money and banking statistics).

Treatment of nominal holding gains and interest on financial assets (under high inflation)
http://www.worldbank.org/data/working/iswgna_background.html.

5. Peter Hill and Andre Vanoli have written to ISWGNA about the treatment of nominal holding gains and interest on financial assets under conditions of high inflation, as described in the 1993 SNA, chapter XIX, annex B, and subsequently in the OECD publication *A Manual on Inflation Accounting*, by Peter Hill, along a different line from that taken in the 1993 SNA. Andre Vanoli has written a paper for discussion at a 1998 International Association for Research in Income and Wealth (IARIW) conference, which raised issues regarding the inflation accounting

treatment. Peter Hill has responded with a paper, also submitted to the 1998 IARIW conference, essentially giving counter-arguments and in turn raising issues regarding annex B. The EDG on this issue did not arrive at a distinct conclusion; it will be referred to the Advisory Group of Experts on National Accounts.

Cost of transferring ownership of assets
http://www1.oecd.org/std/transfsna.htm

6. This EDG is now closed. The conclusion of the Moderator (Peter van de Ven of Statistics Netherlands) is that there is no case for changing the 1993 SNA treatment of the costs incurred in transferring ownership of assets. The relevant part of his report of 10 March 2000 to ISWGNA notes that it is recommended to leave the 1993 SNA unchanged since there are convincing arguments both for and against the recommendations of the current international guidelines. ISWGNA discussed the issue at its meeting in April 2001 and agreed with that conclusion, and so has decided to close the EDG.

Accrual accounting of interest
http://www.imf.org/external/np/sta/na/interest/

7. This discussion group on the concept and measurement of interest was instituted pursuant to a decision of ISWGNA, which met at a technical level in April 1999 in Washington, D.C. The main question raised was whether interest is measured from the point of view of debtors or creditors. ISWGNA supported the conclusion of the Moderator of this EDG that the SNA accrues interest on the basis of the debtor approach.

EDG on capital stocks, capital services and intangibles in national accounts
http://webdomino1.oecd.org/std/capstock.nsf

8. This EDG is devoted to discussions on capital stocks, capital services and intangibles in national accounts. This task force can be considered as a continuation of the Canberra Group, with a specific emphasis on a reassessment of the coverage and treatment of intangible assets. A mandate and calendar of work will be shortly available (Chair: Australia; Moderator: paul.schreyer@oecd.org).

EDG on financial services in the national accounts
http://webdomino1.oecd.org/std/finservice.nsf

9. This EDG is devoted to discussions on financial services in national accounts. The business of financial corporations has undergone a structural transformation towards increasing importance of the portfolio management of financial assets, which generates holding gains and losses, that, typically, national accounts exclude from the production boundary and therefore income. The task force will consider whether and how the production boundary can be adapted to that rising activity, and how that could influence income. The first meeting of the task force was held in June 2002. A first draft of the study was discussed during an OECD national accounts expert meeting held from 8 to 11 October 2002 in Paris. The final report is expected in late 2003 (Chair: Switzerland; Moderator: paul.schreyer@oecd.org).

EDG on software
http://webdomino1.oecd.org/std/software.nsf

10. This EDG is devoted to discussions on the implementation of the 1993 SNA recommendation to capitalize software. Studies have shown that statistical offices have varied considerably in the practical measurement of gross fixed capital formation in software, with a significant impact on GDP. The objective of the joint OECD/Eurostat task force is to produce a set of recommendations that will lead to better international comparability. The final report of the OECD task force was submitted and approved at an OECD national accounts expert meeting held from 8 to 11 October 2002 in Paris. ISWGNA supported the recommendations of the task force. The EDG on software is closed (Chair: United States; Moderator: francois.lequiller@oecd.org).

EDG on measurement of non-life insurance services
http://webdomino1.oecd.org/std/inservice.nsf

11. This EDG is devoted to discussions on the measurement of non-life insurance services, with a special focus on the treatment of catastrophic losses. The output of insurance services as calculated using the 1993 SNA algorithm depends on the balance of premiums to claims (on an accrual basis) and can therefore be extremely volatile (even negative) following major catastrophes. The massive claims generated by the 11 September 2001 terrorist attack is a recent example. It had impacts on GDP and balance of payments (reinsurance). The objective of the task force is to propose measures that would be more consistent with the perception of production in this activity. In particular, medium to long-term aspects of non-life insurance are to be taken into consideration. The first meeting of the task force was held in June 2002. A first draft of the study was discussed during an OECD national accounts expert meeting held from 8 to 11 October 2002 in Paris. The final report is expected in late 2003 (Chair: France; Moderator: fenella.maitland-smith@oecd.org).

EDG on the treatment of pension schemes

12. In the 1993 SNA, promises to pay future pension benefits are not recognized as liabilities of social security schemes and unfunded employer schemes. The EDG will investigate the analytical relevance of recording those liabilities in the national accounts and, if appropriate, will formulate recommendations regarding their valuation and measurement. The EDG will also formulate proposals to reconcile the recommendations of the 1993 SNA and the IMF *Government Finance Manual* regarding the treatment of (government) unfunded employer pension schemes (Moderator: IMF, at http://www.imf.org/external/np/sta/ueps/index.htm).

EDG on the treatment of non-performing loans

13. In many cases, national accounts do not reflect the existence of non-performing loans in either the flow accounts or balance sheets. The purpose of the EDG is to determine if additional criteria should be applied to the treatment of non-performing loans and to make sure that they are consistent with the other major macroeconomic statistical systems (balance of payments, government finance, and money and banking statistics). Such a treatment needs to consider all aspects, such as the definition and valuation of loans in general and non-performing loans in particular; loans as assets and liabilities; when such loans should be written off; and how interest accruing and arrears should be measured (Moderator: IMF, at http://www.imf.org/external/np/sta/npl/eng/discuss/index.htm).

Annex II

List of issues currently under review

Topics	*Responsible organization*	*Deadline*	*Results of consultations and ISWGNA decision*	*Issues*
Treatment of purchase agreement	IMF	October 03		The 1993 SNA treats Repos with cash as collateral loans (a newly created financial asset) unless they involve bank liabilities that are included in measures of broad money, in which case they should be classified as deposits. These treatments were adopted when the acquirer may not have the right to on-sell it. Given that legal change of ownership occurs virtually in all cases, what should be the appropriate treatment? (Problem exists as well for securities lending.)
Accrual accounting of interest	IMF	October 02	In 14 October 2002, ISWGNA decided to back the so-called "debtor approach" and to send its recommendation to the members of the Commission as a point of interpretation of the SNA.	Whether the accrual accounting of interest is based on the initial contractual agreement (debtor approach) or on a current market rate basis (creditor approach).
Treatment of interest under conditions of high inflation	WB	Pending		The issue relates to the different treatment of interest payment under high inflation. One approach is included in the appendix B of chapter XX of the 1993 SNA. Another approach is described in the *Handbook of Inflation Accounting* (OECD).
Pension schemes (employer, social security and social assistance schemes)	IMF			The problem relating to whether or not obligations for promised pension benefits, and the income thereof, should be recorded in the balance sheets and income accounts.
Employee stock option plan	Eurostat	May 03		Should stock options be included as compensation of employees? How should stock options be classified on the financial accounts and balance sheets? What are appropriate valuation and time of recording rules?

Topics	*Responsible organization*	*Deadline*	*Results of consultations and ISWGNA decision*	*Issues*
Treatment of non-performing loans	IMF	October 03		Should unpaid interest on non-performing loans be stopped accruing? How are the financial accounts affected? Should non-performing loans be separately identified or revalued in the balance sheets?
Insurance/reinsurance	OECD	October 03		How to deal with catastrophic losses which create fluctuation in output of insurance to the point of making it negative.
Financial services	OECD	October 03		Measuring output of portfolio management. FISIM is not covered.
FISIM	Eurostat	Closed		Differences between Eurostat and other countries' practices.
Patented entities	Canberra II/OECD	2005		Should it be revisited in relation to the treatment of R&D?
R&D expenditure	Canberra II/OECD	2005		Review of SNA treatment, asset boundary.
Trademarks, brand-names and franchises	Canberra II/OECD	2005		Should they be treated as patented entities?
Leases and other transferable contracts, licenses to use intangible fixed assets	Canberra II/OECD	2005		Treatment of licenses (legal constructs) in general and mobile phones as rent or sale revisited. Are licenses to use produced and non-produced assets treated differently?
Asset boundary for non-produced intangible assets	Canberra II/OECD	2005		Legal constructs.
Purchased goodwill	Canberra II/OECD	2005		Valuation.
Other intangible fixed assets	Canberra II/OECD	2005		Clarify these items in the annex to chapter XIII of the 1993 SNA.
Calculation of consumption of fixed capital for intangible non-produced assets	Canberra II/OECD	2005		Methodology.
Valuation of consumption of fixed capital for intangible produced assets	Canberra II	2005		Mineral exploration, entertainment, literary or artistic originals.
Borderline between rent and sale	Canberra II/OECD	2005		
Cost of ownership transfer	Canberra II/OECD	2005		Calculation of consumption of fixed capital.

Topics	*Responsible organization*	*Deadline*	*Results of consultations and ISWGNA decision*	*Issues*
Treatment of BOOT	Canberra II/OECD	2005		Issue of dual ownership.
Capital input in production account for productivity analysis	Canberra II/OECD	2005		Should it be introduced to the core of the SNA or satellite account?
Other issues relating to measuring of capital stocks and consumption of fixed capital	Canberra II/OECD	2005		Asset price indices, age-efficiency profiles, age-price profiles, decommissioning and demolition costs.
Consumer durables	Canberra II/OECD	2005		Capitalization of consumer durables. To be dealt with in satellite accounts.
Capital gain taxes	OECD	October 03		Possible inconsistency: capital gains/losses are treated not as income but as holding gains, while taxes on capital gains are treated as income.

Annex III

Manuals, handbooks and supporting materials for SNA implementation prepared by member organizations of ISWGNA

Manuals, handbooks, compilation manuals and software in support of national accounts compilation	*Responsible ISWGNA member organization*	*Status*	*Date of publication/issue*
1. *Handbook on the Use of Macro-Accounts for Policy Analysis*	UNSD	Published	2002
2. *Handbook on the Non-Profit Institutions* (in cooperation with Johns Hopkins University)	UNSD	Submitted for publication	2002
3. *Manual on Government Finance Statistics*: revision of the 1986 Manual	IMF	Published	2001
4. *National Accounts: A Practical Introduction*	UNSD	Submitted for publication	2002
5. *Integrated Environmental and Economic Accounting for Fisheries* (in cooperation with FAO and UNU)	UNSD	Draft of selected chapters	2002
6. Manual on the compilation of input-output tables under ESA 1995	Eurostat	Published	2002
7. *Quarterly National Accounts Manual*	IMF	Published (English, Spanish, French and Russian versions)	2001/2002
8. *Foreign Trade Statistics Operational Manual*	UNSD	Submitted for publication	2002
9. *Handbook on Prices and Volumes*	Eurostat	Available on Eurostat web site	2001
10. *Tourism Satellite Account: Recommended Methodological Framework* (in cooperation with the Intersecretariat Working Group on the Tourism Satellite Account)	WTO/OECD/ Eurostat/UNSD	Published	2001
11. *Manual on Capital Stock Statistics* (in cooperation with the Canberra Group on Capital Stock Statistics)	OECD	Published	2001
12. *Manual on Statistics of International Trade in Services* (in cooperation with Task Force on Service Statistics)	Eurostat/IMF/ OECD/UNSD/ UNCTAD/WTO	Published	2002
13. *System of Integrated Environmental and Economic Accounts* (in cooperation with the London Group on Environmental Accounting)	Eurostat/IMF/ OECD/UNSD/ World Bank	Final draft submitted to Statistical Commission in 2003	2003

Manuals, handbooks, compilation manuals and software in support of national accounts compilation	*Responsible ISWGNA member organization*	*Status*	*Date of publication/issue*
14. *OECD Productivity Manual: A Guide to the Measurement of Industry-Level and Aggregate Productivity Growth* (www.oecd.org/subject/growth/prod-manual.pdf)	OECD	Published	2001
15. *OECD Handbook on Deflators for Information Technology Products*	OECD	Final draft should be available at the end of the year 2002	2003
16. *Measuring the Non-Observed Economy: A Handbook* (www.oecd.org/publications/e-book/3002051E.pdf)	OECD/IMF/ILO/CIS	Published	2002
17. *Guidelines on Income Distribution* (in cooperation with Canberra Group on Household Income Distribution)	OECD	Published	2002
18. First update booklet of the 1993 SNA (including financial derivatives, functional classifications and SNA glossary)	ISWGNA	Submitted for publication in 2002	2003
19. *Consumer Price Index Manual* (prepared by Intersecretariat Working Group on Prices)	Eurostat/IMF/ILO/OECD/ECE	Final draft will be submitted to Statistical Commission 2003	2003
20. *Producer Price Index Manual* (prepared by Intersecretariat Working Group on Prices)	Eurostat/IMF/ILO/OECD/ECE	Final draft will be submitted to Statistical Commission 2003	2003
21. ISIC user's guide (in cooperation with Technical Sub-Group on Classifications)	UNSD	Work in progress	2002
22. Update of ISIC, Rev.3 (in cooperation with Technical Sub-Group on Classifications)	UNSD	Submitted for publication	2002
23. Update of Central Product Classification (in cooperation with Technical Sub-Group on Classifications)	UNSD	Submitted for publication	2002
24. *International Comparison Programme Handbook*	World Bank	Work in progress	Web version/draft, 2003; final version, 2005

List of acronyms used in the annex

CIS	Commonwealth of Independent States
ECE	Economic Commission for Europe
ESA	Economic System of Integrated Economic Accounts
Eurostat	Statistical Office of the European Communities
FAO	Food and Agriculture Organization of the United Nations
ILO	International Labour Organization
IMF	International Monetary Fund
ISIC	International Standard Industrial Classification of All Economic Activities
ISWGNA	Intersecretariat Working Group on National Accounts
OECD	Organisation for Economic Cooperation and Development
UNCTAD	United Nations Conference on Trade and Development
UNSD	United Nations Statistics Division
UNU	United Nations University
WTO	World Tourism Organization